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INFO RUCNIRA/IRAN COLLECTIVE PRIORITY
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RUEHRL/AMEMBASSY BERLIN PRIORITY 1714
RUEHFR/AMEMBASSY PARIS PRIORITY 2198
RUEHFL/AMCONSUL FLORENCE PRIORITY 2060
RUEHMIL/AMCONSUL MILAN PRIORITY 8221
RUEHNP/AMCONSUL NAPLES PRIORITY 2196
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RUEHBS/USEU BRUSSELS PRIORITY 4468

S E C R E T SECTION 01 OF 02 ROME 000122

SIPDIS

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TREASURY FOR D/S KIMMITT AND U/S LEVEY
STATE FOR EB/IFD/ODF EX-IM BANK LIAISON LAWRENCE (LADD)
CONNELL; EB/IFD/OMA JAMES GARRY; NEA/IR BRENDAN HATCHER;
IO/T HEATHER VON BEHREN

E.O. 12958: DECL: 01/18/2017
TAGS: [PREL](#) [EFIN](#) [MNUC](#) [EXIM](#) [UNSC](#) [OECD](#) [IR](#) [IT](#)
SUBJECT: ITALY: BUSINESS AS USUAL - EXPORT CREDIT INSURANCE
FOR IRAN

REF: A. STATE 4760
[1](#)B. ROME 95
[1](#)C. 06 ROME 2970

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Classified By: Economic Minister Counselor Tom Delare for reasons
1.4 (b) and (d).

[1](#)1. (S/NF) SUMMARY: In a discussion with Emboffs about Italy halting export credit insurance for Iran (Ref A), a Ministry of Finance official -- who also serves as the President of Italy's export credit agency (ECA) SACE -- replied that an internal review of SACE's business with Iran in 2006 had found "only" a few instances of suspicious activity and that SACE was working with other EU ECAs to ensure that Iran was complying with international regulations on weapons proliferation. The official stated that any GOI move to halt business with Iran would harm Italy's economic bottom line, as other ECAs would fill the gaps. In support of the U.S. position, the official reported that SACE is not renewing expired credit insurance for Iran, nor is SACE increasing existing exposure. The official repeated several lines often heard from our SACE and Ministry of Finance counterparts -- e.g., SACE is decreasing its credit exposure to Iran; Italy has a unique and historical business relationship with Iran that it does not wish to upset. The topic of Bank Sepah also emerged in our discussion. According to the official, SACE board's will decide to not do any business with Sepah in the wake of the recent U.S. designation -- a move that does not appear to result in any significant GOI action against the bank. The official finished with a strong request for any relevant U.S. intelligence on suspicious activities by SACE-insured firms in Iran. End summary.

[1](#)2. (C) EcMin and Econoff met January 17 to discuss halting export credit insurance for Iran with Ignazio Angeloni, Director General for International Financial Relations at the Ministry of Finance (MOF) and President of SACE, and Filippo Giansante, a senior MOF advisor to Angeloni.

[1](#)3. (C) EcMin pressed Angeloni for SACE to suspend all business with Iran, focusing specifically on state-owned

enterprises, as most Iranian producers of concern are government-owned entities. Angeloni noted that his Ministry had discussed the issue of export credit insurance for Iran with Treasury Secretaries Paulson, Kimmitt, and Levey on several occasions the past six months. After each discussion SACE had taken additional steps (unspecified by Angeloni during our conversation) to ensure that Iran was complying with international regulations on dual-use technologies and weapons proliferation. Angeloni reported that SACE had recently finished a review of all of its business with Iran in 2006, and was now studying business done with Iran in 2005. SACE had found in its 2006 review that "only 2 or 3 situations" merited further review, because of suspicious activities. (Angeloni claimed that he had not yet seen the results of these reviews.)

14. (C) EcMin asked if the GOI and SACE had been practicing due diligence in discerning whether Iran was using front companies to produce items of concern. EcMin gave the example of former USSR firms using "conversion" schemes, whereby a seemingly innocuous business would be established within a weapons factory. Foreign investment would be solicited to the civilian line, which, in reality, could also support the still "hot" armaments lines. Angeloni reported that SACE and the GOI had detected no such activity by the Iranians.

15. (C) EcMin also cited the case of an Italian firm being pressured by the Iranian government to provide dual-use items. The mechanism of coercion was the threat to deny a very lucrative contract to the Italian firm in a different economic area. Given the obvious inter-ministerial cooperation on the Iranian side, we urged Angeloni to be alert to pressure brought to bear on Italian firms.

16. (C) Angeloni asserted that SACE was working with other

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EU ECAs to ensure due diligence and Iranian compliance with international regulations on WMDs and stated that SACE's work with other ECAs ensured a common "European line" on Iran. However, he added that any GOI decision to halt business with Iran would be detrimental to Italy's bottom line, since other ECAs -- SACE's "competitors" -- would fill the gaps. As for steps taken that would support the U.S. position on export credit insurance to Iran, Angeloni and Giansante reported that SACE is not renewing expired credit insurance -- which has led to an estimated three percent decrease in overall exposure -- nor is SACE increasing its existing exposure to Iran.

17. (S/NF) Angeloni reported that SACE's board would meet January 18 to discuss Iran and the recent U.S. designation of Bank Sepah, adding that the board will decide not to do any business with any Italian entities associated with Sepah, nor with any firms listed in UNSCR 1737. (Note: According to the Embassy's Bank of Italy contacts, Bank Sepah's Rome branch does no "significant" business with Italian individuals or firms (Ref B) -- something confirmed by Angeloni during our meeting.) Angeloni made a strong appeal to the U.S. to share any intelligence it had regarding suspicious activities by Iranian and Italian firms with whom SACE had business dealings (Ref C, para 11). (Comment: Post is aware of strains within GOI intelligence services after recent leadership shake-ups that may complicate intel sharing with the GOI. End comment.)

18. (S/NF) COMMENT: Angeloni repeated several lines often heard from our SACE and Ministry of Finance counterparts -- SACE is decreasing its credit exposure to Iran by letting old credit expire and not increasing its existing credit; Italy has a unique and historical business relationship with Iran that it does not wish to upset; and Italy is concerned about its economic bottom line in halting any business with Iran -- especially given the Italian economy's fragile state. As for Bank Sepah, the impending SACE board decision to not do any

business with Sepah is simply holding to the status quo and does not appear to result in any significant GOI action against the bank. End comment.
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